

**PITTSBURG COUNTY
PUBLIC WORKS AUTHORITY
Crowder, Oklahoma
FINANCIAL STATEMENTS
June 30, 2013**

**RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P.O. BOX 1015
BRISTOW, OKLAHOMA 74010-1015**

INDEPENDENT AUDITORS' REPORT

To The Honorable Members of the Board of Trustees
Pittsburg County Public Works Authority
Crowder, Oklahoma

I was engaged to audit the accompanying financial statements of the Pittsburg County Public Works Authority, Crowder, Oklahoma, as of and for the year ended June 30, 2013, which did not include related notes to the financial statements, which collectively comprise Pittsburg County Public Works Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express opinions on the financial statements based my audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Basis for Disclaimer of Opinion

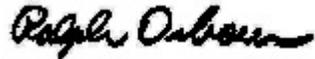
Pittsburg County Public Works Authority, Crowder, Oklahoma failed to maintain sufficient records and documentation to support financial transactions. I was not able to obtain the documentation from other sources.

Disclaimer of Opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, the auditor has been unable to obtain sufficient appropriate evidence to provide the basis for an audit opinion, and, accordingly, does not express an opinion on the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 8, 2015, on my consideration of Pittsburg County Public Works Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pittsburg County Public Works Authority, Crowder, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 8, 2015

Pittsburg County Public Works Authority
Crowder, Oklahoma

Statement of Net Position
For the Year Ended June 30, 2013

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and Cash Equivalents	\$ 38,848	\$ 81,260
Accounts Receivable	103,919	131,335
Prepaid Expenses	<u>13,653</u>	<u>12,379</u>
Total Current Assets	<u>156,420</u>	<u>224,974</u>
Noncurrent Assets		
Reserved and restricted Cash	76,472	41,725
Capital assets		
Land	21,623	21,623
Construction in Progress	2,682,749	2,384,140
Capital Assets, Net of Depreciation	<u>1,454,114</u>	<u>1,463,744</u>
Total Noncurrent Assets	<u>4,234,958</u>	<u>3,911,232</u>
Total Assets	<u>4,391,378</u>	<u>4,136,206</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	46,725	38,906
Payroll Taxes Payable	226	161
Accrued Payroll Payable	19,796	19,796
Accrued Interest Payable	2,983	2,983
Customer Deposits	4,183	2,200
Current Portion Long-Term Debt	38,539	38,539
Current Portion Lease Purchases	<u>3,559</u>	<u>3,559</u>
Total Current Liabilities	<u>116,011</u>	<u>106,144</u>
Long-Term Liabilities		
Long-Term Notes Payable	2,643,575	2,689,159
Long-Term Lease Purchases	<u>21,654</u>	<u>32,001</u>
Total Long-Term Liabilities	<u>2,665,229</u>	<u>2,721,160</u>
Total Liabilities	<u>2,781,240</u>	<u>2,827,304</u>
NET POSITION		
Invested in capital assets, net of related debt	1,451,159	1,106,249
Restricted for Debt Service	56,502	41,725
Reserved for capital improvement	19,970	-
Unrestricted	<u>82,507</u>	<u>160,928</u>
Total net Position	<u>\$ 1,610,138</u>	<u>\$ 1,308,902</u>

The Accompanying Notes are an Integral Part of this Statement.

Pittsburg County Public Works Authority
Crowder, Oklahoma

Statement of Net Position
For the Year Ended June 30, 2013

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Water Sales	\$ 780,362	\$ 784,183
Penalties	9,226	11,066
Reconnect Fees	4,376	2,411
Water Tap	8,074	8,650
Miscellaneous	<u>694</u>	<u>7,716</u>
Total Operating Revenues	<u>802,732</u>	<u>814,026</u>
Operating Expenses		
Wages	135,603	118,342
Payroll Tax	11,367	9,598
Employee Benefits	14,858	13,791
Chemicals	45,388	54,847
Testing	12,504	13,492
Fuel	13,881	12,218
Insurance	21,358	31,027
Legal & Professional	16,213	13,537
Contract Labor	431	170
Maintenance & Repairs	72,905	67,762
Meters	32,835	16,340
Miscellaneous	6,636	5,165
Office & Postage	6,300	7,770
Water Rights	4,029	5,327
Sewer & Trash	134,901	133,162
Utilities & Telephone	49,547	56,878
Bonds & Permits	3,025	1,431
Bad Debt Expense	-	-
Depreciation	<u>82,789</u>	<u>87,186</u>
Total Operating Expenses	<u>664,570</u>	<u>648,043</u>
Operating Income (Loss)	<u>138,162</u>	<u>165,983</u>
NONOPERATING Revenues (Expenses)		
Grant - Rural Development	280,802	387,932
Interest Income	295	462
Interest Expense	<u>(118,023)</u>	<u>(111,282)</u>
Total Nonoperating Revenues (Expenses)	<u>163,074</u>	<u>277,112</u>
Change in Net Position	<u>301,236</u>	<u>443,095</u>
Total Net Position, July 1, 2012	<u>1,308,902</u>	<u>865,807</u>
Total net Position, June 30, 2013	<u><u>\$ 1,610,138</u></u>	<u><u>\$ 1,308,902</u></u>

The Accompanying Notes are an Integral Part of this Statement.

Pittsburg County Public Works Authority
Crowder, Oklahoma

Statement of Cash Flows
For the Year Ended June 30, 2013

	2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Water Sales	\$ 830,020
Cash Paid to Employees	(135,603)
Cash Payments to Suppliers for Goods & Services	(436,565)
Net Cash Used by Operating Activities	257,852
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:	
Purchase of Fixed Assets	(370,269)
Principal Payment Long-Term Debt	(55,930)
Proceeds from Rural Development	280,802
Interest Payments on Debt	(118,023)
Change in Rural Development Reserve	(32,955)
Change in Depreciation Account	(19,970)
Change in Debt Service	15,831
Net Cash Provided by Capital & Related Financing Activities	(300,514)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Royalty income	128
Investment Income	295
Net Cash Provided by Investing Activities	423
Net Change in Cash	(42,412)
Cash and cash equivalents, July 1, 2012	81,260
Cash and cash equivalents, June 30, 2013	\$ 38,848
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Change in Net Position from Operating Income	\$ 19,501
Noncash & Nonoperating Items	
Included In Change in Net Position:	
Depreciation & Amortization	82,789
Changes in Assets & Liabilities:	
(Increase)Decrease in Accounts Receivable	27,417
(Increase)Decrease in Prepaid Insurance	(1,274)
Increase(Decrease)in Accounts Payable	8,925
Increase(Decrease)in Payroll Taxes	65
Increase(Decrease)in Accrued Interest Payable	-
Increase(Decrease)in Accrued Payroll Wages	-
Net Cash Provided by Operating Activities	\$ 257,852

The Accompanying Notes are an Integral Part of this Statement.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Pittsburg County Public Works Authority (hereinafter called "The Authority") is a public trust created on June 26, 1962. The Authority was organized in accordance with Oklahoma State Statute, Title 60, Public Trust Authorities, which qualifies it for exemption from federal and state income taxes. The beneficiary of the public trust is Pittsburg County, Oklahoma. The purpose of The Authority is to provide water services to the towns of Canadian, Crowder and the surrounding vicinity.

The purposes of this trust are to institute, furnish, provide and supply to the inhabitants, owners and occupants of property, and to industrial, commercial and mercantile establishments and enterprises, located in Pittsburg County, any or all improvements, services and physical facilities for the safeguarding of public health, the protection of persons and property, and the conservation and implementation of public welfare, of such kinds and characters that the same may be an authorized or proper function of the Beneficiary of this Trust, or any component thereof, or by law made subject to the supervision of its governing body or of its officers, which said improvements, services and physical facilities may be supplementary or wholly extraneous to any such improvement, service or physical facility that presently is, or hereafter may be furnished, provided or supplied by or under the supervision of the Beneficiary, or any component thereof.

The financial statements of the Pittsburg County Public Works Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting policies of The Authority conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

A. Reporting Entity:

In evaluating how to define the Pittsburg County Public Works Authority, for financial reporting purposes, management has considered if it is a component unit of a primary government. The Pittsburg County Public Works Authority is considered a Joint-Venture between the Town of Canadian and Town of Crowder. There are six (6) members of the Board of Trustees of the Authority. Three (3) members are the Town of Canadian's council and three (3) members are the Town of Crowder's council.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2013

B. Basis of Accounting:

The accrual basis of accounting is used by the Authority. Under the accrual method of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest and other expenses paid during construction are capitalized to the extent they exceed interest earnings.

C. Property, Plant, and Equipment:

Additions to the Pittsburg County Public Works Authority are recorded at cost, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses, renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Water System	50 years and 40 years
Office Equipment	3 to 10 years
Equipment	5 to 10 years
Vehicles	3 to 5 years

D. Cash:

The Authority has a demand account at a depository bank, at June 30, 2012.

E. Prepaid Insurance:

For the purpose of the balance sheet, "Prepaid Insurance" reflects the amount of insurance paid in advance that will have a future economic benefit.

F. Restricted Cash:

Restricted cash consists of reserve accounts in the amount of \$76,472. These reserve accounts is a requirement of the loan resolution security agreement with Rural Development (formally FmHa).

G. Retirement/Pension Plans:

The Pittsburg County Public Works Authority does not participate in any retirement plans or other post-employment benefit plans.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2013

H. Receivables:

Accounts Receivable consists of the utilities billed that had not been collected at June 30, 2013. Allowance for uncollectible accounts receivable are based upon the aging of accounts receivable.

I. Investments:

Statutes authorize The Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, The Authority can invest in direct debt securities of the United States unless an investment is expressly prohibited by law.

For purposes of the statement of cash flows, The Authority considers all highly liquid investments (excluding restricted assets) with maturity of three months or less when purchased to be cash equivalents.

J. Inventory of Supplies:

Inventory of Supplies is not reported on the financial statements of The Authority. The amount of inventory on hand is not material to the financial statements.

K. Vacation, Sick Leave, and Other Compensated Absences:

Vacation leave time will be credited as follows:

	Day Shift	Evening Shift
1 st PP - 35 th PP	1.54 hrs (per PP)	1.15 hrs
36 th PP - 182 nd PP	3.08 hrs (per PP)	2.31 hrs
183 rd PP and subsequent PP	4.00 hrs (per PP)	3.00 hrs

Vacation leave may be accumulated but shall not exceed 120 hours on the last day of the calendar year. Any leave in excess of 120 hours at the end of calendar year shall be paid at the lowest hourly rate for that calendar year.

Sick leave is available for regular, full-time employees. It will accumulate at the rate of 1.54 hours per bi-weekly pay period after the completion of the 180 day probationary period. This will provide forty (40) hours of sick leave per year.

Sick leave may be accumulated without regard to a maximum number of hours during employment by The Authority.

Any sick leave hours which are unused at the time of termination of an employee shall be paid for by The Authority at 50% of the hourly wage in effect for that employee at the time of termination.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2013

NOTE 2 - RESTRICTED CASH:

The Loan Resolution Security Agreement with USDA Rural Development requires a reserve fund to be funded at ten percent of the monthly installment until the balance is equal to the annual installment amount. At June 30, 2013, the balance in the reserve account at First National Bank, McAlester, Oklahoma was \$76,472.

NOTE 3 - RETIREMENT/PENSION PLANS:

The Authority does not participate in any retirement plans or other post-employment benefit plans.

NOTE 4 - CHANGES IN FIXED ASSETS:

	<u>7/1/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2013</u>
Land	\$ 21,623	\$ -	\$ -	\$ 21,623
Const in Progress	\$ 2,384,140	\$ 298,609	\$ -	\$ 2,682,749
Building	\$ 18,999	\$ 17,298	\$ -	\$ 36,297
Office Equipment	11,586	1,412	-	12,998
Vehicles	66,009	-	-	66,009
Equipment	187,166	31,417	-	218,583
Water System	2,848,789	23,032	-	2,871,821
Total Assets	<u>3,132,549</u>	<u>73,159</u>	<u>-</u>	<u>3,205,708</u>
Less Acc. Depr.	<u>(1,668,805)</u>	<u>(82,789)</u>	<u>-</u>	<u>(1,751,594)</u>
Net Fixed Assets	<u>\$ 3,869,507</u>	<u>\$ 288,979</u>	<u>\$ -</u>	<u>\$ 4,158,486</u>

NOTE 5 - INSURANCE:

The Authority's facilities is insured under a blanket property and general liability insurance policy. The Authority also has insurance coverage on its vehicles.

NOTE 6 - CONTINGENT LIABILITIES:

The Board of Trustees of the Pittsburg County Public Works Authority is not aware of any contingent liabilities at June 30, 2013, which would materially affect The Authority's financial statements.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2013

NOTE 7 - LONG-TERM DEBT:

As of June 30, 2013, the long-term debt payable from business-type activities resources consisted of the following:

	<u>Notes Payable</u>	<u>Lease Purchases</u>	<u>Total</u>
July 1, 2012	\$ 2,727,698	\$ 36,172	\$ 2,763,870
Added	-	-	-
Retired	(45,584)	(10,959)	(56,543)
June 30, 2013	<u>\$ 2,682,114</u>	<u>\$ 25,213</u>	<u>\$ 2,707,327</u>

United States Department of Agriculture,
Rural Development, loan 91-05 issued
March 16, 1984, in the amount of \$250,000
with interest rate of 5% for 40 years.
Monthly payments of \$1,228.

	\$ 100,873
Current Portion	<u>\$ 9,003</u>
Non-Current Portion	91,870
Total Note Payable	<u>\$ 100,873</u>

United States Department of Agriculture,
Rural Development, loan 91-08 issued
November 4, 1988, in the amount of \$367,100
with an interest rate of 4.75% for 40 years.
Monthly payments of \$1,726.

	\$ 305,000
Current Portion	<u>\$ 5,799</u>
Non-Current Portion	299,201
Total Note Payable	<u>\$ 305,000</u>

United States Department of Agriculture,
Rural Development, loan 91-10 issued
November 4, 1998, in the amount of \$555,400
with interest rate of 5% for 40 years.
Monthly payments of \$2,611.

	\$ 461,523
Current Portion	<u>\$ 8,767</u>
Non-Current Portion	452,756
Total Note Payable	<u>\$ 461,523</u>

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 7 - LONG-TERM DEBT (Continued):

United States Department of Agriculture,
Rural Development, loan 91-11 issued
September 9, 2010, in the amount of \$1,598,000
with interest rate of 4.125% for 40 years.
Monthly payments of \$6,680.

	\$ 1,502,822
Current Portion	\$ 14,970
Non-Current Portion	1,487,852
Total Note Payable	\$ 1,502,822

United States Department of Agriculture,
Rural Development, loan 91-13 issued
June 10, 2010, in the amount of \$330,000
with interest rate of 3.25% for 40 years.
Monthly payments of \$1,243.

	\$ 311,896
Current Portion	\$ 12,265
Non-Current Portion	299,631
Total Note Payable	\$ 311,896

	\$ 2,682,114
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The annual requirements to amortize all note payables at June 30, 2013, follows:

Year Ending June 30,	Principal	Interest	Totals
2014	\$ 50,804	\$ 111,052	\$ 161,856
2015	53,063	108,793	161,856
2016	55,425	106,431	161,856
2017	57,894	103,962	161,856
2018	60,475	101,381	161,856
2019-2023	321,194	464,754	785,948
2024-2028	339,687	395,913	735,600
2029-2033	419,713	315,887	735,600
2034-2038	518,896	216,704	735,600
2039-2043	375,222	121,843	497,065
2044-2048	429,741	53,562	483,303
Totals	\$ 2,682,114	\$ 2,100,282	\$ 4,782,396

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2013

NOTE 7 - LONG-TERM DEBT (Continued):

The Company has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause, which gives the Company the ability to terminate the lease agreement at the end of each fiscal year.

The Company has recorded the liability for future lease payments in the general long-term debt account group for the equipment. The schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending June 30</u>	<u>Ford F250</u>	<u>Excavator</u>	<u>Total</u>
2014	\$ 4,524	\$ 7,573	\$ 12,097
2015	4,524	8,623	13,147
2016	<u>1,508</u>	<u>-</u>	<u>1,508</u>
Total minimum lease payments	<u>10,556</u>	<u>16,196</u>	<u>26,752</u>
Less: Amount representing interest	<u>1,421</u>	<u>118</u>	<u>1,539</u>
Present value of future minimum lease payments	<u>\$ 9,135</u>	<u>\$ 16,078</u>	<u>\$ 25,213</u>

NOTE 8 - WORKING CAPITAL:

The net working capital (current assets less current liabilities) was \$40,409 at June 30, 2012.

NOTE 9 - CASH AND CASH EQUIVALENTS:

The table presented below is designed to disclose the level of custody credit risk assumed by The Authority based upon how its deposits were insured at June 30, 2013.

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>	<u>Custody Credit Risk Category</u>			<u>Value</u>
			<u>1</u>	<u>2</u>	<u>3</u>	
Demand Deposits						
First National Bank	\$115,320	\$115,320	\$115,320	\$ -	\$ -	\$115,320
Totals	<u>\$115,320</u>	<u>\$115,320</u>	<u>\$115,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$115,320</u>

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2013

NOTE 10 - LEASE AGREEMENT:

On November 15, 1963, The Authority entered into lease agreements with the towns of Canadian, Oklahoma, and Crowder, Oklahoma, wherein the two existing water systems and related facilities were leased to The Authority. Each lease covers a primary term of fifty (50) years and is renewable for an additional fifty (50) year period at the option of The Authority. Annual rental for each lease in the amount of \$100 became effective as of December 1, 1963. However, both municipalities waived payment; and, as a result, no payments of rental have ever been paid.

NOTE 11 - LAND USED BY THE AUTHORITY:

Legal title to 20.72 acres of land used in conjunction with the Crowder Water Supply Lake has not been obtained by the Authority.

NOTE 12 - RELATED PARTY TRANSACTIONS:

The Authority is a collection agency for sewer and trash for the towns of Canadian and Crowder. Charges for these services have been included in the computer billings for water services. Amounts collected for sewer and trash have been refunded to the respective town treasurers. The Authority charges no fee for this collection service.

Note 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 8, 2015, the date on which the financial statements were available to be issued. The Authority does not believe there are any events requiring disclosure.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Pittsburg County Public Works Authority
Crowder, Oklahoma

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United State, the financial statements of the the business-type activities of Pittsburg County Public Works Authority, Crowder, Oklahoma, as of and for the year ended June 30, 2013, which did not include related notes to the financial statements, which collectively comprise the Pittsburg County Public Works Authority, Crowder, Oklahoma's basic financial statements and have issued my report thereon dated July 8, 2013 which has a disclaimed opinion.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Pittsburg County Public Works Authority, Crowder, Oklahoma's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pittsburg County Public Works Authority, Crowder, Oklahoma's internal control. Accordingly, I do not express an opinion of the effectiveness of Pittsburg County Public Works Authority, Crowder, Oklahoma's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned cost, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, reference number 2013-1.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, reference number 2013-1.

Compliance and Other Matters

In connection with my engagement to audit the financial statements of the Pittsburg County Public Works Authority, Crowder, Oklahoma, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2013-1. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
July 8, 2015

Pittsburg County Public Works Authority
Crowder, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

2013-1: The Authority failed to maintain adequate financial records.

Finding: The Authority did not have adequate records of financial transactions for the year.

Recommendation: The Authority should maintain financial records to support actions taken each year.